

Glossary

Activity. An activity is a subunit of a fund. Each fund contains one or more activities, a specific and distinguishable budgetary unit of work or service. Activities are detailed levels of budget spending authority created to accomplish the approved objectives of the fund.

Activity Manager. Each activity manager shares in the authorities and responsibilities of the fund manager outlined below. In addition, each activity manager's responsibilities include attaining the performance objectives assigned to their activity, approving spending payments and directing the day-to-day operations of their activity.

Activity Number. A five (5)-digit number which uniquely identifies the activity. The first digit indicates the fund type while the second digit indicates the department.

Fund type:

- 0 General Fund
- 1 Internal Service Funds
- 2 Enterprise Funds
- 3 Special Revenue Funds
- 4 Special Assessment Funds
- 5 Trust and Agency Funds
- 6 Permanent Improvement Revolving Funds
- 7,9 Bond Funds (includes Capital Improvement Bond Funds)
- 8 Debt Service Funds

Department:

- 0 Administrative Units (includes: Affirmative Action, City Attorney, Citizen Service, City Council, Financial Services, Human Resources, Human Rights, Labor Relations, Licence Inspections and Environmental Protection and Mayor)
- 1 Technology and Management Services
- 2 Public Works
- 4 Police
- 5 Fire
- 6 Planning and Economic Development
- 9 General Government Accounts
- 31 Parks
- 32 Public Health
- 33 License Inspections and Environmental Protection
- 34 Libraries
- 99 Debt Service

For example, general parking and transit (36100) is a special revenue fund activity in the Department of Planning and Economic Development. Similarly, accounting bureau (02020) is a general fund activity in the Public Works Department. See *Fund Number*.

Agency Fund. A fund used to account for assets held by the city acting as agent for others.

Allocation. A portion of a lump-sum appropriation which is designated for expenditure

by specific organizational units or for special purposes. See *Appropriation*.

Appropriation. An expenditure authorized by the city council for a specified amount, and time.

Assessed Valuation. The value that is established for real estate or other property by a government for use as a basis for levying property taxes.

Bond. A written promise to pay a specific sum of money (called the principal amount or face value) at a specified future date (called the maturity date) along with periodic interest at a specified rate.

Budget Document. The written record of the comprehensive financial plan the mayor presents to the city council for review, revision if deemed appropriate, and adoption.

Capital Allocation. Assignment of available capital (dollars) to specific uses.

Capital Expenditure. Actual spending of capital (dollars) for capital improvement projects.

Capital Improvement. The purchase or construction of durable/fixed assets. Examples include streets, bridges, parks or buildings.

Capital Improvement Budget (C.I.B.). A plan for capital expenditures (physical development of the City) to be incurred each year, over a fixed number of years, in order to meet capital needs arising from the long-term work program.

Capital Outlay. Equipment, machinery, vehicles, or furniture items included in the operating budget. See *Capital Improvement Budget*.

Capital Projects Fund. A fund established to account for all financial resources used for the construction or acquisition of major capital facilities, except those financed by special assessment, proprietary, or fiduciary funds.

CIB. Acronym for capital improvement budget.

CTAB. Reference for the computerized budget spending plan system.

CTBB. Reference for the computerized budget personnel system.

CTFP. Reference for the computerized budget financing plan system.

Glossary—Continued

Debt Service Fund. A fund established to account for the financial resources used for the payment of long-term general obligation debt principal, interest, and related costs.

Division. An organizational subunit of a department in the general fund. Each department has one or more divisions, which are responsible for one or more activities.

Encumbrances. Legal commitment of appropriated funds (in the form of purchase orders or contracts) to purchase goods or services to be delivered or performed at a future date. They cease to be encumbrances when paid or when the actual liability is created.

Enterprise Fund. A fund established to account for city operations that are financed and operated in a manner similar to private business enterprises. The intent is that the costs (expenses, including depreciation) of providing goods and services on a continuing basis be financed or recovered primarily through user charges.

Expenditures. Total charges incurred, whether paid or unpaid, including the provision for retirement of debt not reported as a liability of the fund from which it will be retired, and capital outlays (for governmental funds and fiduciary funds, except non-expendable trust funds).

Expenses. Charges incurred, whether paid or unpaid, for operation, maintenance, interest, and other charges which benefit the current fiscal period (for proprietary funds and non-expendable trust funds). See *Expenditures*.

FMS, or FM-80. Reference to the City of Saint Paul's financial management computer system.

F.O.R.C.E. Acronym for focusing our resources on community empowerment. This is a unit within the Police Department dedicated to combat problems, at the neighborhood level, of street level narcotics, problem properties and disruptive behavior.

Fiduciary Fund. A fund established to account for assets held in a trust capacity or as an agent for others and/or other funds: included are expendable trust funds, non-expendable trust funds, and agency funds.

Financing Plan. Identifies sources of revenues that support the spending plan.

Fiscal Disparities. The Metropolitan Fiscal Disparities Act created a system of commercial and industrial tax base sharing for metropolitan area cities and towns. Each assessment district (city or town) shares 40% of its commercial/industrial assessed valuation growth with the seven county metropolitan pool. Valuation growth includes both new development and inflation on existing valuations. Each assessment district receives a portion of this assessed valuation growth pool based on a formula which uses population and fiscal capacity to determine the amount received. The general result of

this law is that cities with a healthy commercial and industrial tax base finance some of the property tax burden for those cities which have little commercial and industrial tax wealth.

Full Time Equivalent (FTE). A personnel position which is financed for the equivalent of 80 hours per pay period, for 26.1 pay periods (a typical year), or 2,088 hours in a year. This is roughly equivalent to 40 hours per week for 52 weeks. For example, a .5 FTE would represent 20 hours per week for 52 weeks, or 40 hours per week for 26 weeks. A 1.0 FTE is a general reference to a position normally working for a year.

Fund. Each individual fund is a separate accounting entity having its own assets, liabilities, revenues and expenditures or expenses. City financial resources are allocated to, and accounted for, in individual funds based on legal, donor, or administrative restrictions or requirements. The individual funds are organized by fund type. See *Fund Type*.

Fund Balance. An equity account reflecting the excess of accumulated assets over accumulated liabilities and reserves (monies set aside for specific purposes).

Fund Manager. Fund managers are accountable to and receive authority from their department director and division manager, and ultimately from the mayor, the city council, and city residents/taxpayers. Each fund manager is responsible for correctly preparing and submitting the portion of the city's financial plan that is provided by their fund. This includes a properly completed budget request consisting of performance, spending and financing plans. Fund managers are responsible for monitoring the collection of receipts, authorizing spending payments, cash flow planning, and service delivery in accordance with the adopted plan. Fund managers are also responsible for forecasting significant performance, spending or financing variances, determining their cause, creating a solution, and reporting such information to their department director and the director of the office of financial services. See *Performance Plan*, *Spending Plan*, and *Financing Plan*.

Fund Number. A three-digit number which uniquely identifies the fund. For example, the general fund is fund number 001, parks and recreation grant fund is 860 and the fire clothing trust fund is 736. There is no significance to the sequence of numbers. See *Activity Number*.

Fund Type. A classification of funds by similar purpose. The fund types are: governmental (general, special revenue, debt service, capital project, special assessment), proprietary (enterprise, internal service), and fiduciary (trust and agency funds). Although the city hall annex operating fund and the public works engineering fund are separate funds, they are the same fund type (internal service). See each fund type for its definition. Also see *Fund*.

GIS. Acronym for geographic based information systems.

Glossary—Continued

General Fund. The fund used to account for all financial resources not specifically earmarked for other purposes. The general fund is the primary operating fund for the City of Saint Paul.

Governmental Funds. All funds other than fiduciary and proprietary funds. Includes the general fund, special revenue funds, capital projects funds, debt service funds, and special assessment funds. The measurement focus is on spending or financial flow rather than on net income. See *Fiduciary Funds* and *Proprietary Funds*.

HACA. Acronym for homestead and agricultural credit aid. See *State Aids*.

HRPRBA, or HRMS. Acronym for human resources, payroll, benefits administration. This acronym once referred to the development of the city's automated system for human resources, payroll, benefits administration.

Internal Service Fund. A fund established to account for the financing of goods or services provided by one city department to other city departments, divisions or funds on a cost-reimbursement basis.

LGA. Acronym for local government aid. See *State Aids*.

LLEBG. Acronym for local law enforcement grant, which is a federal grant program.

MELSA. Acronym for Metropolitan Library Service Agency.

MSA. Acronym for municipal state aids. See *State Aids*.

Object Code. A four-digit code assigned to a specific type of receipt or expenditure. A major object code is a grouping of expenditures or receipts on the basis of the types of goods or services purchased or rendered. For example, personal services, materials, supplies, and equipment are major object codes.

Operating Budget. The annual operating budget is the primary means by which most of the financing, acquisition, spending, and service delivery activities of a government are controlled.

Operating Transfer In/Out. Inter-fund transfers are legally authorized transfers between a fund receiving revenue and a fund where resources are expended.

PED. Acronym for planning and economic development department.

Performance Plan. A fund manager's estimate of the service level desired by the mayor, city council, and residents of the city. Includes mission statement, objectives and performance indicators.

P.I.R. Acronym for public improvement revolving (fund).

Proprietary Funds. Any fund which attempts to determine net income. Measurement focus is on cost of services similar to private sector for-profit organizations. This category includes enterprise and internal service funds.

Recoverable Expenditure. An expenditure made for, or on behalf of, another governmental unit, fund, or department, private individual, firm, or corporation which will, subsequently, be recovered in cash or its equivalent.

Retained Earnings. An equity account reflecting the accumulated earnings of an enterprise or internal service fund which are not reserved for any specific purpose.

Special Assessment. Charges which the local government collects from property owners to pay for specific services or capital improvement projects such as streets, sewers, etc., which benefit a particular piece of real estate.

Special Assessment Fund. A fund established to account for the financing of public improvements or services that primarily benefit the properties against which the special assessments are levied.

Special Revenue Fund. A fund established to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, and capital projects) that are legally restricted to expenditures for specified functions or activities.

Spending Plan. Provides a unit or subunit of an organization with spending authority to pay for the resources required to effectively accomplish the performance plan.

STAR. Acronym for sales tax revitalization program. This is also referred to sometimes as cultural sales tax revenue.

State Aids. The following are the major types of intergovernmental revenues received by the City of St. Paul from the State of Minnesota:

Local Government Aid (LGA): Begun in 1971, this program was designed to provide indirect property tax relief through the redistribution of income tax and sales tax revenues collected at the state level to local units of government. The amount of funding received by local units of government is based on a distribution formula determined by the Minnesota State Legislature. The distribution formula addresses "need" as well as "equity". Based on this distribution formula, current state LGA appropriations are not sufficient to fully fund the program. Consequently, adjustments in the amount distributed to cities and counties are made based on percent changes to past years' amounts. The 2001 State Legislature rolled the Homestead and Agricultural Credit Aid into Local Government Aid.

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Homestead and Agricultural Credit Aid (HACA). This was a conversion of the former parcel specific Homestead Credit property tax relief program. HACA was a state funded program that provided financing to local units of government for property rate classification changes to different types of property. The program originally provided aid for the tax rate reduction on homesteaded and agricultural properties. The revised program no longer had a direct relationship with a specific parcel of land and had since been expanded to provide relief for other classes of property. The 2001 State Legislature again revised the program and rolled it into local government aid.

Municipal State Aids (MSA). This program is financed by motor vehicle related taxes collected at the state level. The state gasoline tax is the largest revenue source and the dollars collected are constitutionally dedicated for expenses related to MSA routes. The revenues are redistributed back to municipalities of 5,000 or more residents to be used for construction and maintenance of their MSA designated routes.

Tax Increment District. A tax increment district is a designated geographical area where a city is undertaking redevelopment or development activity. Any increase in assessed valuation due to new development activity is captured by the district. Property taxes levied against those captured values are used to finance the public improvement costs incurred to induce the private development activity. Public improvement costs can be financed by issuing bonds or by a pay-as-you-go plan.

Trust Fund. A fund established to account for the custody and administration of assets held in a trust capacity. The assets held in a trust fund must be spent or invested in accordance with the conditions of the trust. Expendable trust funds are similar to governmental funds in that the measurement focus is on spending or financial flow rather than on net income. Non-expendable trust funds are similar to proprietary funds, with the measurement focus on determination of net income. See *Agency Fund* and *Fiduciary Fund*.

City Of Saint Paul Budget Documents: General Description

The mayor must propose to the city council by August 15 of each year a complete financial plan for the next calendar year. After considering the mayor's recommendations, the city council must adopt the annual budget by December 20. The annual financial plan for the City of Saint Paul is composed of spending, financing and performance plans for three types of budgets: operating, debt service and capital improvements.

Operating Budget: The annual operating budget is a twelve-month financial plan that provides for the delivery of city services; support and planning for service delivery; routine maintenance; minor remodeling and repairs of existing structures; acquisition of vehicles, mobile, mechanical and office equipment; and other items having an estimated useful life of less than three years. The primary financing sources for the operating budget are property taxes, state aids, dedicated revenues, user charges, and grants.

The operating budget accounts for financial resources through various funds. The general fund, which is the largest of the city's operating funds, supports basic city services such as public safety and recreation. Other operating funds, commonly referred to as special funds, include internal service funds, enterprise funds, special assessment funds, special revenue funds and trust and agency funds, and support services that generally are financed by non-property tax revenues. For the majority of city funds, the modified accrual basis of accounting is used to budget and account for financial resources. Under this method, expenditures generally are recognized when incurred and revenues are recognized when they become both measurable and available. Internal service and enterprise funds use the accrual basis of accounting, however, where expenses are recognized when incurred and revenues are recognized when earned.

Debt Service Budget: The annual debt service budget provides for the payment of interest and principal on short and long term general obligation debt. It also includes reserves for a part of the following year's debt service. Primary financing sources for debt service budgets are property taxes, transfers from other funds, interest earnings, and dedicated revenues such as tax increments, special assessments to benefitted properties, and utility user fees. Debt service for revenue bonds is usually budgeted in a special fund budget.

Capital Improvement Budget: The annual capital improvement budget includes appropriations for all projects having an estimated useful life in excess of three years (other than the acquisition of office or mechanical equipment, or

minor remodeling or repairs of existing structures). Projects are financed with general obligation or revenue bonds, aids, grants, and special revenues received by the city for capital improvements, and all monies appropriated in the general fund and special fund budgets for capital projects. The capital improvement budget does not finance vehicles or mobile equipment.

Although the capital improvement budget is adopted annually, project selection and prioritization occurs on a biennial basis. A special citizen committee reviews project proposals submitted by civic organizations, neighborhood groups and city departments, and then develops project recommendations that serve at the basis for the mayor's proposed capital budget. When the biennial budget is adopted by the city, the first year becomes law, while the second year serves as a guide for the following year's appropriations. The capital improvement budget is also part of a ten-year program developed by the city's planning commission to plan for the physical development or redevelopment of city-owned land, buildings, and other improvements, as well as to induce the private development of housing and business facilities. Budget appropriations are multi-year in nature and remain until a project is either completed or canceled.

Budget Structure

Budgets are requested and approved at the activity level. Activities are aggregated into divisions in the general and special operating funds. Funds and divisions are then aggregated into departments or offices. Departments manage operating (general fund and special funds) budgets, debt service budgets, and capital improvement budgets. Overall management of the general operating fund is the responsibility of the director of the office of financial services.